

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

99-E-0410

IN THE MATTER OF THE LIQUIDATION OF
TUFTS HEALTH PLAN OF NEW ENGLAND, INC.

LIQUIDATOR'S THIRD INTERIM STATUS REPORT

Paula T. Rogers, Commissioner of Insurance of the State of New Hampshire and the duly appointed Liquidator of Tufts Health Plan of New England, Inc. in the above-captioned liquidation proceeding, for her Third Interim Status Report for the period ending October 31, 2000, states as follows:

1. This Court entered an Order of Liquidation on January 3, 2000 against Tufts Health Plan of New England ("TNE"). Under the Order, coverage under TNE policies ceased on February 2, 2000.¹
2. The Liquidator filed her First Interim Status Report on May 19, 2000, and her Second Interim Status Report on September 1, 2000, covering the period from the commencement of this case through July 31, 2000. Since the Second Interim Status Report, the Liquidator has continued the work of marshaling the assets of the liquidating estate, designing and implementing the proof of claim process, and supervising the wind-down of TNE operations.
3. The Liquidator and her agents have reviewed the financial records of TNE, worked to identify additional assets, and have pursued conversion of non-liquid

¹ TNE was incorporated on or about January 31, 1995 as a health maintenance organization ("HMO") by certain parent and affiliate organizations: Tufts Health Plans, Inc., Tufts Affiliated Health Maintenance Organization, Inc., and TAHMO Holdings, Inc. These parent and affiliate organizations are collectively referred to in this Interim Report as "TAHMO."

assets into cash. At October 31, 2000, cash and cash equivalents total \$45.8 million (including approximately \$1.523 million in special deposits (the “Special Deposits”) held in the ancillary proceeding pending against TNE in the State of Rhode Island. Additional assets of approximately \$2.7 million remain on TNE’s balance sheet. These assets include approximately \$2.1 million in accounts receivable, primarily from risk sharing contracts with providers, and premium receivables due from former TNE policyholders. Notwithstanding the statutory prohibition against policyholders setting off insurance premiums due TNE against their claims against TNE, the realizable value of these accounts will likely be less than their stated book value, based upon other justifiable adjustments and payment defenses held by the respective policyholders. The Liquidator’s agents continue to pursue additional unrecorded assets, but are unable at this time to project the anticipated net realizable value of those assets.

4. In total, 6,406 Proofs of Claims (or “POC’s”) were filed before the July 10, 2000 bar date previously established by the Liquidator, including 20 POC’s previously reported on a combined basis in the Liquidator’s Second Interim Status Report. Total amounts claimed on the face of the timely filed POCs, including amendments received thereto, now totals \$80,635,630.50. 541 of the 6,406 POC’s stated the amount owed as “unliquidated” or “unknown.” In addition, as of October 31, the Liquidator has received 163 POCs, with a total face amount of \$300,202.91, filed after the July 10 bar date. The POC’s have been inventoried, and an acknowledgement of receipt has been sent to all claimants.

5. The Liquidator continues to support the Rhode Island Ancillary Receiver by providing information and data sufficient for required court filings. The Liquidator is

currently gathering information to determine the total amounts claimed by Rhode Island claimants. Actuarial estimates of this amount initially forecast that less than \$500,000 in claims would be payable to Rhode Island residents. However, it currently appears that other claims based on PCP bonuses, minimum payment arrangements and other matters may increase claims payable from the Special Deposits by as much as \$500,000.

6. Between December 20, 1999 and October 31, 2000, the Liquidator paid approximately \$33.3 million in Class I administration costs, of which approximately \$22.3 million was paid to contracted providers for delivery of post-petition medical services and products to TNE members and subscribers.

7. The Liquidator continues to use existing TNE and TAHMO claims payment systems to adjudicate all provider claims and to pay Class I contracted provider claims. As reported previously, in recognition of the reduced volume and scope of administrative services provided, the administrative fees payable and accruing to TAHMO in connection with its services rendered to the Liquidator in this proceeding were reduced, retroactive to April 1, 2000.

8. During the period covered by this Interim Status Report, the Liquidator, TAHMO and other parties (including representatives of insurance departments in Massachusetts, Maine and Rhode Island) engaged in prolonged and intensive discussions and negotiations concerning a possible consensual resolution of the Liquidator's claims against TAHMO, as brought in the Complaint filed against TAHMO and others on March 31, 2000. On November 14, 2000 (albeit outside the quarter covered by this Report), the Liquidator executed a Funding and Settlement Agreement with TAHMO, which together with her Plan of Liquidation and related documents and agreements, the Liquidator filed

with this court on November 22, 2000, seeking this court's approval to enter into and consummate the settlements and transactions described therein. Parties in interest are referred to those pleadings and agreements, and the motions seeking their approval, for their terms and provisions. On the date that this Report was filed, the court entered an Order (dated November 30, 2000), scheduling a hearing on the approval of the Plan of Liquidation and the Funding and Settlement Agreement for December 21, 2000 at 9:30 a.m. A copy of the Order is attached hereto.

9. The Liquidator continues to place a priority on addressing member complaints throughout the liquidation process. To that end, the Liquidator previously established an accelerated process for resolving complaints received from members experiencing continued billings and collection efforts from medical providers. The accelerated process seeks to protect members from being inappropriately billed for services and/or from being pursued by collection agencies. The process continues to emphasize educating providers on the terms of the contractual agreements and statutes that protect members from inappropriate billing practices. The existence and goals of this complaint resolution process have been shared with the general public through public meetings. In addition, regulators from Maine and Rhode Island are forwarding such complaints to the Liquidator for quick resolution.

10. The Liquidator plans to continue her regular communication with all TNE subscribers, policyholders, providers, brokers or agents, general creditors and other claimants and interested parties, and continues to post significant developments in this proceeding on the New Hampshire Insurance Department's web site, www.state.nh.us/insurance.

Respectfully submitted,

PAULA T. ROGERS, COMMISSIONER
OF INSURANCE OF THE STATE OF
NEW HAMPSHIRE

By her attorneys,

PHILIP T. MCLAUGHLIN
ATTORNEY GENERAL

Dated: December 1, 2000

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Dated: December 1, 2000

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CERTIFICATE OF SERVICE

I hereby certify that on this 1st day of December, 2000, a copy of the foregoing Liquidator's Third Interim Status Report, was served upon the parties listed on the attached service list via first class mail, postage prepaid.

Bruce A. Harwood